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C O N F I D E N T I A L SECTION 01 OF 03 SOFIA 002054

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E.O. 12958: DECL: 12/08/2015

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SUBJECT: BULGARIA'S CRACKDOWN ON ORGANIZED CRIME: BUSINESS  
AS USUAL

REF: SOFIA 1882

Classified By: AMBASSADOR JOHN BEYRLER, FOR REASON 1.4 (C).

1. (C) Summary: The Bulgarian government has little to show for its effort to crack down on organized crime six weeks after the killing of controversial banker Emil Kyulev. The police and Interior Ministry have yet to conduct a thorough investigation of the murder, possibly out of concern about revealing Kyulev's links to prominent political figures. The authorities have boasted that 1,200 suspects were detained during the national police operation following the Kyulev shooting, but most have been subsequently released due to a lack of evidence. The Interior Minister told the Ambassador December 13 that 43 organized crime-related cases will be submitted for prosecution before the end of the year. Although we believe that some GOB officials have the sincere will to launch a real crackdown on the crime and corruption problem here, systemic and political problems will continue to hinder their efforts. End Summary.

Kyulev Case Loses Steam  
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2. (C) More than a month after the high-profile killing of Emil Kyulev, the police and Interior Ministry have made little progress in solving his murder. The GOB still has not seized key pieces of evidence, such as Kyulev's computer harddrive, bank and phone records, or taken advantage of the U.S. offer to exploit such evidence. According to our Legatt, the police have failed)either by design, apathy or lack of effective judicial process))to do basic victimology investigative work (where investigators try to establish a crime's motive based on the victim and his relationships). The MOI at one point appeared ready to seize Kyulev's bank records, notifying our Legatt that the police would act the next day. The seizure, however, was called off at the last minute. MOI officials are blaming judges and prosecutors, who will not issue them the necessary search warrants, and Bulgaria's "restrictive" laws. (However, we have worked with MOI on less politically sensitive cases where such obstacles were easily overcome.) The fact that authorities are facing obstacles in the Kyulev case is suspicious, and potentially convenient, given the high-level political interest in the case. Other reasons given for the delay are a lack of cooperation from Kyulev's widow and the GOB's fears that a seizure of Kyulev's bank records could lead to the collapse of DZI bank, one of Bulgaria's largest.

3. (C) Our suspicion, however, is that the GOB is avoiding a thorough investigation of Kyulev out of fear that a disclosure of his shadowy past could potentially embarrass prominent political figures, including the President. Kyulev was a former economic advisor to Parvanov, and is widely rumored to have helped fund his 2001 campaign. Kyulev, however, reportedly did not limit his largess to the President or the Bulgarian Socialist Party; a thorough examination of his financial records would likely reveal links to the National Movement Simeon II as well. Our British counterparts share this view: they express frustration that the Kyulev killing has almost completely disappeared from the local press, and have advised the MOI on the need to keep the public's attention on the case in order to generate leads. They note a sharp contrast between President Parvanov and Prime Minister Stanishev's initial strong calls for action and the current lack of action surrounding the case.

Operation "Respect" Merely A Show of Strength  
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4. (C) The GOB's broader effort to crack down on organized crime in the wake of the Kyulev killing also appears to have lost momentum. Almost all of the people detained in Operation "Respect")nation-wide police raids launched after Kyulev's shooting))have been reportedly released. Of the more than 1,200 people detained during Respect only 80 were held for more than 48 hours and most of these were later released due to a lack of evidence. One suspect in Blagoevgrad died after being beaten by police. (The incident has led to the dismissal of three police officials and an official apology from Interior Minister Petkov.) The notorious Marinov brothers, founders of the SIC organized crime group, remain in custody, although the case against them is reported to be weak, according to our Legatt, and

possibly politically motivated.

15. (C) We continue to hear speculation as to why the brothers have been singled out. Yovo Nikolov, an investigative journalist and leading expert on Bulgaria organized crime, told us one theory is that Mladen Mihalev (a.k.a. Madzho), a rival of the Marinov brothers within SIC and, like the Marinovs, one of its last surviving original members, has close ties to Interior Minister Petkov and pressed for the arrest of the Marinov brothers. We have no way of verifying this specific claim, but it is likely that the Marinov brothers were chosen at least in part because they do not have a high-level political patron.

16. (C) The police continue to maintain a large presence on the streets and randomly stop and inspect suspicious luxury vehicles as part of Operation "Respect." But, as this name suggests, these actions are little more than a show of force by the police, and do not appear to reflect any effective or long-term strategy to fight organized crime. According to Nikolov, organized crime figures do not view Operation Respect and the latest government crackdown as a serious threat to their activities. The only thing Respect has accomplished is to force these groups to keep a low profile for now, with the result that street-level crime has declined. He agreed the operation lacked any real teeth. Our British colleagues, however, have heard from various sources that Operation Respect is having an effect and that many organized crime groups are concerned by the higher level of police scrutiny. Despite appearing to be a hastily contrived action by the MOI, Interior Minister Petkov told us that Respect had been conceived prior to Kyulev's murder, but was initiated earlier than planned.

17. (C) Apart from Operation Respect, Chief Prosecutor Filchev has said that the government is currently working on 43 organized crime cases to be submitted to the courts sometime in late December. Filchev has not specified the likely suspects in the cases but has said the crimes are in the sphere of financial fraud, VAT fraud, and drug trafficking. Interior Ministry Petkov admitted to us that the key problem for MOI in pursuing organized crime is that many officers at all levels are "working for the other side." He said several major operations in the past few months have failed because the leader of the targeted criminal group was tipped off by someone inside his ministry. Petkov told us his main priority is to reorganize the ministry and clean up its structures.

#### Attention Shifts to Customs

18. (C) In recent weeks the attention of the police and MOI appears to have shifted away from organized crime and to corruption in the Customs Agency. The MOI announced in late November it was launching an investigation into high-level corruption in the Customs Agency. The Customs Agency attracted higher scrutiny after a former high-level customs official, suspected of being involved in smuggling, was gunned down in Sofia in October. According to the press, the MOI sent a list of six senior-level Customs officials believed to be involved in criminal smuggling channels to the Prime Minister and Finance Minister (who oversees the Agency). Despite media speculation that all six would soon be relieved of their positions, only the Deputy Director of Customs, Dimitar Tolev, has resigned.

#### GOB Sees Progress in Fight Against Organized Crime

19. (C) Interior Minister Petkov requested a meeting with the Ambassador December 13 to update us on the GOB's progress in the fight against organized crime and corruption. Petkov noted a number of recent successes both on the legislative and operational fronts. He mentioned that parliament had approved the first reading of the new Ministry of Interior Act and said the act would hopefully pass the second reading by early next year. According to Petkov, most of the recommendations in the European Commission's monitoring report have now been implemented.

10. (C) In terms of operational measures, Petkov noted the 43 organized crime cases that will be submitted to the courts later this month. He expected all of the cases to result in prosecution, saying the MOI had agreed "we should only take on commitments we can fulfill." He also mentioned that the police on December 9 had dismantled an "organized crime group" consisting of customs officers and other civil servants involved in falsifying customs documents to cover up the illegal import of Chinese goods. As part of the operation, the director of a local customs office in Sofia)who was among the six senior-level Customs officials suspected of corruption)was arrested in the act of accepting a bribe and five others were detained. Petkov said the police and MOI have shut down a number of smuggling channels that were importing cement, powdered milk and cigarettes without paying duties, and smuggling drugs and counterfeit trademark goods. On the Kyulev murder, MOI Chief

Secretary Ilyia Iliev said the MOI was focused on three

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possible theories--the Marinov Brothers, Michael Chorny and Kyulev's activities in the insurance sector))but still had not received the necessary court orders to fully investigate.

Comment

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11. (C) It may be too soon to draw conclusions about the GOB's willingness to confront organized crime, but the signs so far are not encouraging. Part of the problem clearly lies in the technical incompetence and lack of solid investigative skills, resources, and cooperation among the law enforcement services. But we also believe that some in the GOB are unwilling to see a real investigation go forward that would shine a light into the darker corners of political activity here, especially regarding party funding. As one analyst in the leading think tank Center for the Study of Democracy put it, "the Prime Minister has the will to pursue crime and corruption but has no levers; the Interior Minister has the levers, but no vision." (And, we would add, questionable incentive.) We will have more opportunity to assess the government's intentions on organized crime in the upcoming case against the crime boss Ivan Todorov (a.k.a., Doktor))a case U.S. law enforcement assisted on that is currently awaiting action at the prosecutor's office.  
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